

Sustainable Growth of Culture-Based Family SMEs Under Environmental Dynamism

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ABSTRACT

Many small-scale businesses have a long lifespan, even becoming legendary for hundreds of years across multiple generations, due to their strong culture that holds value in the market: rare, inimitable, and organized. On the other hand, the business environment is increasingly dynamic and uncertain. In a dynamic environment, some small and medium-sized enterprises (SMEs) have a long lifespan because they possess dynamic capabilities, such as absorptive, adaptive, and innovative culture. In the changing dynamic environmental conditions, it is crucial for companies to achieve sustainable growth. The effectiveness of those two strategies can be moderated by environmental dynamism. This article aims to examine the role of environmental dynamism in moderating the influence of the VRIO framework and dynamic capabilities on sustainable growth. The research was conducted through a survey of 118 owner-managers of SMEs in the culinary, batik, and mechanical-electronic workshop sectors in Semarang Regency, Indonesia. Data analysis was performed using Moderated Regression Analysis (MRA). The research findings indicate that: (1) Culture in the VRIO framework has a positive and significant influence on sustainable growth, (2) Dynamic Capability Culture has a positive and significant influence on sustainable growth, (3) environmental dynamism moderates the influence of Dynamic Capability Culture on sustainable growth, but environmental dynamism do not moderate the influence of Culture in the VRIO framework on sustainable growth. These research findings imply that a valuable, unique, inimitable, and well-organized culture, along with dynamic capabilities embedded in the culture, are important factors for sustainable growth, but the effectiveness of dynamic capabilities depends on environmental conditions.

Keywords: family business sustainability; SMEs; Resource-Based Theory; environmental dynamism.